# WAWATAM TOWNSHIP EMMET COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2005

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

City	vernment Typ		☐ Village	☐ Other	Local Governme Wawatam				ounty mmet	
Audit Dat 3/31/0			Opinion I 10/19			Date Accountant Report Subr 10/21/05	mitted to State:	<u></u>		
accorda	nce with t of Statemer	ne State	ements of	the Governr	mental Accou	povernment and rendere nting Standards Board ont in Michigan by the Mic	(GASB) and	the Unifo	rm Ren	nents prepare orting Format
		lied with	n the <i>Bulleti</i>	in for the Aud	dits of Local U	Inits of Government in M	<i>lichigan</i> as revi	sed.		
2. We	are certifie	d public	accountant	ts registered	to practice in	Michigan.				
We furth commen	er affirm th ts and rec	e follow ommend	ing. "Yes" r lations	esponses ha	ave been discl	osed in the financial sta	tements, includ	ding the no	otes, or i	n the report of
You mus	t check the			each item be						
Yes	<b>√</b> No	1. Ce	ertain compo	onent units/fi	unds/agencies	s of the local unit are exc	cluded from the	e financial	statem	ents.
Yes	✓ No	2. Th	ere are acc 5 of 1980).	cumulated de	eficits in one	or more of this unit's u	nreserved fund	d balances	s/retaine	d earnings (P
<b>√</b> Yes	☐ No	3. Th	ere are ins nended).	stances of n	on-compliance	e with the Uniform Acc	ounting and E	Budgeting	Act (P.A	A. 2 of 1968,
Yes	Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or requirements, or an order issued under the Emergency Municipal Loan Act.									
Yes	No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943 as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).									
Yes	✓ No	6. The	e local unit	has been de	linquent in dis	tributing tax revenues th	at were collec	ted for and	ther tax	king unit.
Yes	The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earn Yes No 7. pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfundicular credits are more than the normal cost requirement, no contributions are due (paid during the year).									
Yes	<b>√</b> No	8. The	e local unit CL 129.241	uses credit ).	cards and h	as not adopted an app	licable policy	as require	d by P.	A. 266 of 19
Yes	<b>√</b> No	9. The	e local unit l	nas not adop	ted an investr	ment policy as required t	oy P.A. 196 of	1997 (MCI	L 129.95	5).
Ve have	enclosed	the foli	owing:				Enclosed	To I Forwa		Not Required
The lette	of comme	ents and	recommen	dations.			✓			
Reports o	on individua	al federa	ıl financial a	ssistance pr	ograms (prog	ram audits).				✓
single Au	dit Reports	(ASLG	U).							✓
Richard		-	ame) r, CPA, P	<del></del>						
Street Address		et Stre	et, P.O. B	ox 996		City Mackinaw C	ity	State MI	ZIP 497	01
Accountant	Signature L	<u> </u>	N	aklin	eist,	CA		Date /	7-21-	05

# TABLE OF CONTENTS

# INDEPENDENT AUDITORS' REPORT

	<u>PAGE</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-3
BASIS FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet-Governmental Funds	6 - 7
Statement of Revenues, Expenditures and Changes	
In Fund Balances-Governmental Funds	8 - 9
Statement of Fiduciary Net Assets	10
Statement of Changes in Fiduciary Net Assets	11
Notes to Financial Statements	12 – 19
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Statement of Revenues, Expenditures and Changes	
in Fund Balance - Budget and Actual	20 - 23
LIQUOR FUND	
Statement of Revenues, Expenditures and Changes	
in Fund Balance - Budget and Actual	24



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

#### **INDEPENDENT AUDITORS' REPORT**

October 19, 2005

Township Board Wawatam Township Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Wawatam Township*, *Emmet County*, *Michigan*, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of *Wawatam Township*, *Emmet County*, *Michigan* as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 1
through 3 and 20 through 24, are not a required part of the financial statements but are
supplementary information required by accounting principles generally accepted in the United
States of America. I have applied certain limited procedures, which consisted principally of
inquiries of management regarding the methods of measurement and presentation of the
supplementary information. However, I did not audit the information and express no opinion on
it. Red Mal III
Richard E. Mahlmeister, C.P.A.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### FINANCIAL HIGHLIGHTS

Assets at March 31, 2005 totaled \$102,432 for governmental activities. Of the total, \$6,482 represent capital assets, net of depreciation.

Revenues derived from governmental activities were \$94,758 (\$250 from program revenues and \$94,508 from general revenues). Overall expenses for the Township's governmental activities were \$104,590.

The Township has no outstanding debt nor were any capital assets purchased during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2005.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

A comparative analysis will be provided in future years when prior year information is available.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

The activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

#### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

#### **Governmental Funds**

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains two individual governmental funds; General Fund and Liquor Fund; both, which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

#### **Fiduciary Funds**

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

# FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

#### **Net Assets**

The Township's governmental activities net assets decreased \$9,832 during the year, to total \$102,432.

## FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

#### **Governmental Activities**

The General and Liquor Fund activities remained consistent, and the Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance and tax collection.

#### **Capital Asset Administration**

At March 31, 2005, the Township had \$54,383 in capital assets, including the township hall and office equipment.

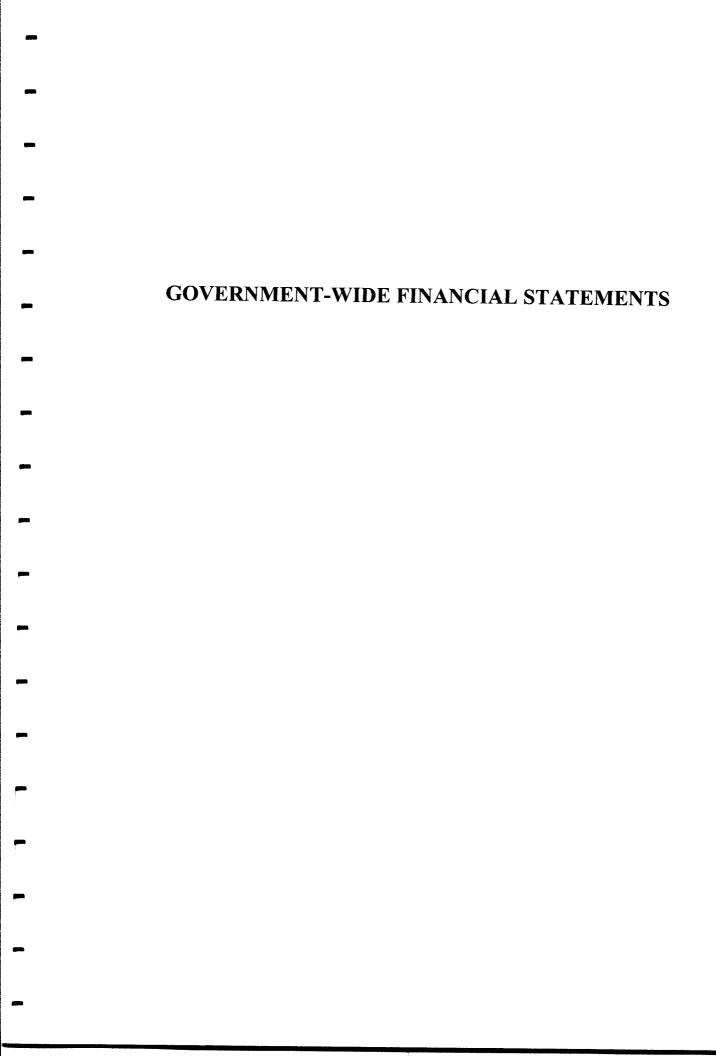
# KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township expects financial aspects of governing to be the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political consideration.

# CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.436.5274 (Wawatam Township Hall).

-	
_	
•	
-	
_	
-	BASIC FINANCIAL STATEMENTS
-	
-	
_	
•	
•	
•	
•	



# WAWATAM TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2005

ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents Investments Taxes receivable	\$59,792 28,815 7,343
Capital assets Accumulated depreciation	54,383 (47,901)
TOTAL ASSETS	\$102,432
NET ASSETS	
Invested in capital assets Unrestricted	\$6,482 95,950
TOTAL NET ASSETS	\$102,432

# WAWATAM TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions		
		Scrvices	Contributions		
Primary government					
Governmental activities					
General government	\$72,723	\$250	\$		
Public safety	15,570	-			
Public works	9,589	-			
Recreation and culture	6,708	-			
Total governmental activities	104,590	250			
	Ge	eneral Revenues			
	Property taxes				
		tate-shared revenues			
	U	nrestricted interest incon	ne		
		ther			
	То	tal general revenues			
	Change in net assets				
	Net	t assets, beginning of year			
	Net	t assets, end of year			

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities  TOTAL
\$	- (672 472)
Φ	- (\$72,473) - (15,570)
	- (9,589)
	- (6,708)
	- (104,340)
	75,848
	16,878
	1,056 726
	94,508
	(9,832)
	112,264

\$102,432

# FUND FINANCIAL STATEMENTS

# WAWATAM TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

ASSETS	GENERAL	LIQUOR FUND	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	\$58,448	\$287	\$58,735
Investments	28,815	-	28,815
Taxes receivable	7,343	_	7,343
Due from tax collection fund	1,057	_	1,057
TOTAL ASSETS	\$95,663	\$287	\$95,950
FUND BALANCES			
Designated for:			
Roads	\$31,691	<b>\$</b> -	\$31,691
Building	5,000	_	5,000
Unreserved - undesignated	58,972	287	59,259
TOTAL FUND BALANCES	\$95,663	\$287	\$95,950

#### WAWATAM TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: capital assets

Subtract: accumulated depreciation

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$102,432

## WAWATAM TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL FUND	LIQUOR FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Taxes	\$75,848	<b>s</b> -	\$75,848
State shared revenues	16,301	577	16,878
Charges for service	250	57,	250
Interest	1,056	_	1,056
Other	726	_	726
TOTAL REVENUES	94,181	577	94,758
EXPENDITURES			
Current:			
Legislative	2,392	_	2,392
General government	68,747	_	68,747
Public safety	15,010	560	15,570
Public works	9,589	-	9,589
Recreation and culture	6,708		6,708
TOTAL EXPENDITURES	102,446	560	103,006
REVENUES OVER (UNDER) EXPENDITURES	(8,265)	17	(8,248)
FUND BALANCES, BEGINNING OF YEAR	103,928	270	104,198
FUND BALANCES, END OF YEAR	\$95,663	\$287	\$95,950

# WAWATAM TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

-	Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities	
_	NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$8,248)
-	Amounts reported for governmental activities in the statement of activities are different because:	
-	Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
-	Add: capital outlay capitalized during the current year Subtract: depreciation expense	(1,584)
_	CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$9,832)

## WAWATAM TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND MARCH 31, 2005

## WAWATAM TOWNSHIP STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND YEAR ENDED MARCH 31, 2005

ADDITIONS	
Property tax collections for other governmental units	\$1,294,767
DEDUCTIONS	
Property tax distributions to other governmental units	1,294,767
Change in Net Assets	-
Fiduciary Net Assets - Beginning of Year	-
Fiduciary Net Assets - End of Year	
V	

#### NOTES TO FINANCIAL STATEMENTS

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Wawatam Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2004, Wawatam Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

#### THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

# GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers both of its two funds to be major funds.

# MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# FUND TYPES AND MAJOR FUNDS

#### Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

<u>Liquor Fund</u> - The Liquor Fund represents the liquor law services provided by the township which are financed by state shared revenues.

#### Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

#### **INVESTMENTS**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

#### INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

#### **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **COMPENSATED ABSENCES**

There is no accumulated vacation or sick leave to be recognized.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 15-40 years Equipment 5-10 years

# **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The township has no long-term obligations as of March 31, 2005.

#### **FUND EQUITY**

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

# RESERVES AND DESIGNATIONS

Reserved fund balances indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity which is available for budgeting in future periods.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are adopted by the Township officials for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

# NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Appropriations are approved by the Township Board on a functional level basis for the General Fund and the fund level for the Special Revenue Funds.

During the year ended March 31, 2005, the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
GENERAL FUND: Professional services Public Works	\$13,600	\$15,224	\$ 1,624
	\$ 7,700	\$ 9,589	\$ 1,889

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2005, reflected in the accompanying financial statements include property taxes levied December 31, 2004. These taxes are due by February 15, 2005, and are added to the County tax rolls after February 28, 2005. The Township will receive 100% payment for the delinquent tax by June, 2005.

The taxable value of the Township totaled \$50,384,904, on which ad valorem taxes consisted of .9391 mills for the Township's operating purposes and .2700 mills for emergency services, raising \$47,643 for operating purposes and \$13,396 for emergency services.

# NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the combined balance sheet relating to cash and cash equivalents and investments of \$88,607 represents deposits in two financial institutions located in Michigan in varying amounts, as follows:

Cash and cash equivalents	\$59,792
Investments (certificates of Deposits)	28,815
	\$99.607
	\$88,607

The total deposits do not exceed \$100,000 and therefore, are covered by the Federal Deposit Insurance Corporation (F.D.I.C.).

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

# **Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United states, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables\payables for the year ended March 31, 2005 are as follows:

Fund	Interfund Receivable	Interfund Payable	
General Tax Collection	\$1,057	\$ - 1,057	
Total	\$1,057	\$1,057	

There were no interfund transfers during the fiscal year.

## NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Not being depreciated:				
Land	\$ 2,501	\$ -	\$ -	\$ 2,501
Being Depreciated:				,
Building and Improvements	34,659	-	-	34,659
Furniture and				
Equipment	17,223	-		17,223
Subtotal	54,383	-	-	54,383
Less accumulated depreciation	(46,317)	(1,584)		(47,901)
Total	\$8,066	(\$1,584)	\$ -	\$6,482

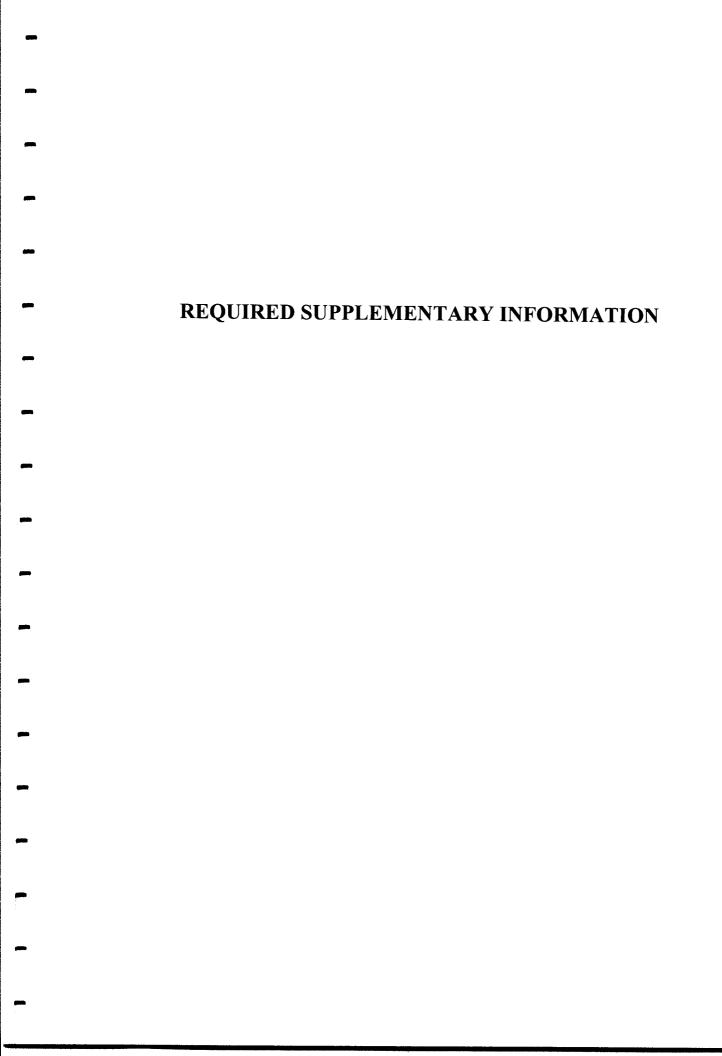
Depreciation was charged to the Township's functions as follows:

General government \$1,584

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 7: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, suits, complaints and employee injuries. In the opinion of management, all such potential matters are adequately covered by insurance and would not have a significant effect on the financial position or results of operations of the Township. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



# WAWATAM TOWNSHIP GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
TAXES				
Property tax	\$60,430	\$60,430	\$61,039	\$609
Collection fees	13,500	13,500	14,809	1,309
TOTAL TAXES	73,930	73,930	75,848	1,918
STATE SHARED REVENUES				
State land tax	4,607	4,607	4,608	1
State shared revenues	10,000	10,000	11,693	1,693
TOTAL STATE SHARED REVENUES	14,607	14,607	16,301	1,694
CHARGES FOR SERVICES			250	250
INTEREST INCOME	1,300	1,300	1,056	(244)
OTHER INCOME	850	850	726	(124)
TOTAL REVENUES	90,687	90,687	94,181	3,494

#### WAWATAM TOWNSHIP GENERAL FUND

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

-		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
- LE	GISLATIVE				
	ownship Board:				
	alaries	\$1,050	£1.0£0	04.050	
	ringe benefits	165	\$1,050	\$1,052	(\$2)
	rinting and publishing	350	165	80	85
	surance	150	350	213	137
	ues and memberships	750	150	100	50
	ffice supplies		750	728	22
	ducation and training	1,000	1,000	19	981
	ther	200	200	200	-
0.		50	50	-	50
то	TAL LEGISLATIVE	3,715	3,715	2,392	1,323
	NERAL GOVERNMENT wnship Supervisor:				
	laries	4.741			
	inge benefits	4,741	4,741	4,741	-
	Tice supplies	370	370	363	7
	ansportation	50 200	113	113	-
		200	200	100	100
Tota	al Supervisor	5,361	5,424	5,317	107
	ctions:				
Sal	laries	1,500	1,500	1 114	207
Pri	inting and publishing	1,000	1,000	1,114 324	386
	fice supplies	500	500	362	676
	ansportation	200	200		138
	ucation and training	500	500	114	86 500
— Tota	al Elections	2.700			
		3,700	3,700	1,914	1,786
	fessional services:				
Leg	gal	10,100	10,100	12,139	(2,039)
Acc	counting	3,500	3,500	3,085	415
	l Professional services	13,600	13,600	15,224	(1,624)
A 554	essor:				
	aries				
		2,839	2,839	2,839	-
	nge benefits	-	-	217	(217)
	ntracted services	8,517	8,517	8,517	-
	ice supplies	1,000	1,000	1,141	(141)
	nsportation	300	300	51	249
	ication and training	300	300	150	150
Oth	er	500	500	75	425
Tota	l Assessor	13,456	13,456	12,990	466

#### WAWATAM TOWNSHIP GENERAL FUND

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT: (Cont'd)				
Board of Review:				
Salaries	\$1,050	\$1,050	\$900	£150
Printing and publishing	500	500	\$900	\$150 500
Office supplies	350	350	40	
Education and training	500	500	236	310 264
Total Board of Review	2,400	2,400	1,176	1,224
Clerk:				
Salaries	7,406	7,406	7,156	250
Fringe benefits	550	550	547	3
Office supplies	300	300	256	44
Transportation	100	100	-	100
Education and training	200	200	330	(130
Total Clerk	8,556	8,556	8,289	267
Treasurer:				
Salaries	13,933	13,933	13,683	250
Fringe benefits	1,100	1,100	1,047	53
Printing and publishing	1,000	1,000	178	822
Office supplies	1,000	1,000	949	51
Transportation	150	150	46	104
Insurance	-	-	487	(487)
Education and training	500	500	180	320
Other	V 1 711111	-	315	(315)
Total Treasurer	17,683	17,683	16,885	798
Township Hall :				
Contracted service	2,000	2,000	562	1,438
Office supplies	1,700	2,262	735	1,527
Communications	1,000	1,000	626	374
Repairs and maintenance	4,000	4,629	2,629	2,000
Utilities	2,000	2,000	1,341	659
Insurance	1,000	1,000	750	250
Other	500	500	309	191
Total Township Hall	12,200	13,391	6,952	6,439

#### GENERAL FUND

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
PUBLIC SAFETY				
Fire and police:				
Contracted services	\$14,500	\$15,010	\$15,010	\$ -
PUBLIC WORKS				
Streets and highways:				
Contracted services	6,500	6,500	8,593	(2,093)
Sanitation:				
Contracted services	1,200	1,200	996	204
TOTAL PUBLIC WORKS	7,700	7,700	9,589	(1,889)
RECREATION AND CULTURE Library: Contracted services	6,000	6,000	5,708	292
Recreation:				
Contracted services	1,000	1,000	1,000	-
TOTAL RECREATION AND CULTURE	7,000	7,000	6,708	292
OTHER FUNCTIONS				
Contingencies	4,416	2,652	-	2,652
Other	5,500	5,500	<del>_</del> _	5,500
TOTAL OTHER FUNCTIONS	9,916	8,152	-	8,152
TOTAL EXPENDITURES	119,787	119,787	102,446	17,341
REVENUES OVER (UNDER) EXPENDITURES	(29,100)	(29,100)	(8,265)	20,835
FUND BALANCES, BEGINNING OF YEAR	103,928	103,928	103,928	
FUND BALANCES, END OF YEAR	\$74,828	\$74,828	\$95,663	\$20,835

# WAWATAM TOWNSHIP LIQUOR FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State shared revenues	\$577	\$577	\$577	<b>\$</b> -
EXPENDITURES:				
Public safety	577	577	560	17
TOTAL EXPENDITURES	577	577	560	17
REVENUES OVER EXPENDITURES	•	-	17	17
FUND BALANCES, BEGINNING OF YEAR	270	270	270	-
FUND BALANCES, END OF YEAR	\$270	\$270	\$287	\$17



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

October 19, 2005

Township Board Wawatam Township Emmet County, Michigan

In planning and performing my audit of the financial statements of Wawatam Township, Emmet County, Michigan, for the year ended March 31, 2005, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 19, 2005 on the financial statements of Wawatam Township.

Thank you for the opportunity to serve Wawatam Township. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerel

'all III Richard E. Mahlmeister, C.P.A.

Wawatam Township Comments & Suggestions October 19, 2005 Page 2 (two)

#### **SEGREGATION OF DUTIES**

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Wawatam Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As in the prior year, the reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Wawatam Township*, where corrective action is not practical, and is not considered to be a material weakness.

#### **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds, which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

#### **CAPITAL ASSETS**

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. I further would recommend that the Board make this threshold, at least, in the range \$1,000 to \$2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.